



## FISCAL MEMORANDUM

### HB 2348 - SB 2453

March 5, 2020

**SUMMARY OF ORIGINAL BILL:** Extends, from March 1 to March 15, the deadline for a property owner to file an application with the Assessor seeking classification of a property as agricultural land for purposes of property tax assessment.

#### FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

**SUMMARY OF AMENDMENT (015032):** Deletes and rewrites all language after the enacting clause such that the only substantive change removes certain real property assessments which are under appeal before the State Board of Equalization (SBOE) from eligibility for equalization.

#### FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

**Other Fiscal Impact – Due to multiple unknown variables, a precise recurring increase in local government revenue cannot reasonably be determined.**

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 67-5-1005(a)(1):
  - Property owners must file a written application with the Assessor in order to have property evaluated for classification as agricultural property;
  - Annual reapplication is not required if the ownership of the property remains the same;
  - If a change in ownership occurs, the Assessor is required to provide notice to the new property owner that the property is no longer classified as agricultural land without submission of a new application; and
  - The new property owners may file a late application, if it is filed within 30 days of receiving notice of required reapplication and accompanied by a fee of \$50.
- Extending the filing deadline for such applications is not estimated to result in a significant change in the number of timely applications received by the Assessor in any given fiscal year; therefore any fiscal impact to local government revenue is estimated to be not significant.

- Pursuant to Tenn. Code Ann. § 67-5-1509, no equalization factor applied by the SBOE may exceed a factor of 1.000.
- Equalizations occur to normalize property appraisals based on comparable properties within the same taxing jurisdiction. Due to the fact that no equalization may exceed a factor of 1.000, such equalization, when applied at a factor below 1.000, will result in a decrease in the assessment, and further result in a decrease in the amount of property taxes owed for the property.
- According to the Comptroller of the Treasury, approximately 5,000 appeals on real property occur per year, statewide.
- Properties under such appeal will be ineligible for equalization. If equalization of such properties would have resulted in a decrease in the assessment of the property in the absence of this legislation, it will result in an increase in local government property tax revenue which otherwise would have been received had the equalization factor been applied.
- A precise recurring increase in property tax revenue is dependent upon multiple unknown factors such as the number of assessments from each taxing jurisdiction, the equalization factor which would have been applied in the absence of this legislation, the value of the property, and the tax rate of the specific taxing jurisdiction. Due to these unknown variables, a precise recurring increase in local government revenue cannot reasonably be determined.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/jrh